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VIA ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W., Room TW-B204
Washington, D.C. 20554

Re: Federal-State Joint Board on Universal Service
WC Docket No. 05-337; CC Docket No. 96-45;
GN Docket No. 09-51; WC Docket No. 06-122
CC Docket No. 01-92

Madam Secretary:

In accordance with Section 1.1206 of the Commission's Rules, 47 C.F.R. § 1.1206, we hereby provide you with notice of an ex parte presentation made in connection with the above-captioned proceeding.

On Tuesday, October 18, 2011, Douglas Minster, Vice President Government and Regulatory Affairs, Atlantic Tele-Network, Inc. ("ATNI"), Jeffrey Humiston, General Counsel, Allied Wireless Communications Corporation ("Allied Wireless") and Rohan Ranaraja, Director, Regulatory Compliance, Allied Wireless, engaged in a telephone discussion with Louis Peraertz regarding the Commission's proposed universal service reforms, on behalf of ATNI and its subsidiaries, Allied Wireless, Choice Communications, LLC, and Commnet Wireless, LLC (herein collectively referred to as the "ATNI Companies"). Issues discussed with Mr. Peraertz are summarized in the following sections.

Efficient, Consumer-Oriented Reforms

Chairman Genachowski indicated last week that his plan for universal service reform "puts the interests of consumers first," and that the current universal service system is broken and must be replaced with more efficient, targeted funding mechanisms.

Representatives for the ATNI Companies explained in their discussion with Mr. Peraertz that the most effective way to meet the Chairman's goals is to design new universal service mechanisms that promote the availability of services sought by consumers in rural areas. The Commission should take note of the ample evidence that this consumer demand focuses on mobile services. For example, the Commission's *Internet Access Services Report*, released earlier this month, shows an increase of 63 percent in mobile Internet connections during calendar year 2010 (compared to 6 percent growth for fixed Internet connections). Over the past three years, the total number of mobile connections have increased ten times faster than the total number of fixed connections. Between December 2008 and December 2010, mobile broadband connections (with speeds of at least 3 Mbps downstream and 768 Kbps upstream) grew by 228% as opposed to 11.59% for fixed broadband connections. Similarly, mobile residential broadband connections (with speeds of at least 3 Mbps downstream and 768 Kbps upstream) grew by 5234% as opposed to 43.89% for fixed residential broadband connections during the same period. *Internet Access Services Report* at 16 (Tables 2 and 4).

Representatives for the ATNI Companies emphasized that the current system is broken because its funding is aimed at protecting entrenched wireline carriers, instead of aiding the deployment of networks and provision of services in response to rural consumer demand. The most recent data released by the Commission indicates that wireless carriers pay approximately \$3 billion into the universal service fund, while receiving approximately \$1.2 billion in high-cost disbursements. Amounts contributed by wireless carriers account for 43 percent of the fund, while contributions from wireline carriers comprise only 16 percent of the fund. This mismatch between contributions and funding disbursements works to the advantage of wireline carriers, but hardly serves the interests of rural consumers seeking the advantages of mobile telephony and Internet access. Representatives for the ATNI Companies stressed that, if the Commission intends to achieve the Chairman's goal of putting the interests of consumers first, then universal service funding must support services that consumers want and need. If the FCC's goal is to put consumers first, the fund must be structured to include support sufficient to continue the maintenance and expansion of the services that consumers choose. Based on the FCC's own report, those services are broadband and mobile.

Focusing CAF Funding on Consumers

Representatives for the ATNI Companies explained that the surest and most direct path to fixing the current broken system and serving the interests of consumers is to provide for flexible Connect America Fund ("CAF") and other funding mechanisms that enable funding to follow consumers, and that support the provision of services and deployment of networks that best meet consumers' needs. The Commission should reject proposals whose agendas are to preserve and increase the slice of the funding pie available to carriers providing services that use outmoded wireline facilities, and that are being left behind in the marketplace as consumers increasingly shift to mobile services and mobile Internet access.

The current funding pendulum has swung too far in the direction of wireline carriers, and representatives for the ATNI Companies emphasized in their discussion with Mr. Peraertz that the Commission's reforms must correct this broken funding scheme by moving the pendulum in a new direction. Specifically, at the very minimum, the Commission should provide ongoing CAF support for mobile broadband at an annual level of \$1.2 billion, which is equal to the current level of capped high-cost support disbursed to wireless carriers. Representatives for the

ATNI Companies indicated that the Commission should design the new funding mechanisms in an equitable manner that reflects rapidly shifting consumer demand. Universal service reform is presenting the Commission with an opportunity to adopt policies that respond to the interests of consumers—and the Commission should seize this opportunity by fashioning funding mechanisms that enable deployment of mobile networks throughout rural America.

Phasing Down Existing Support

Representatives for the ATNI Companies stated that, in designing the transition from the current funding mechanisms to its new CAF and other support mechanisms, the Commission should follow a simple principle: "do no harm" to carriers' ongoing efforts to invest in facilities and infrastructure in rural areas. Specifically, the Commission must ensure that new mechanisms for both fixed and mobile services are in place before existing funding is phased out. Failing to synchronize the shift in funding mechanisms in this manner would risk stranding carrier investment and undercutting carriers' efforts to obtain additional capital for their rural networks and operations.

In the case of funding for mobile broadband services, representatives for the ATNI Companies explained that the Commission has options for the transition that enable it to avoid triggering any immediate phase-down of current support disbursed to wireless carriers. The Commission will have "cash on hand" that will enable it to continue existing funding for wireless carriers (with no phase-down of support) during the transition to new support mechanisms, thus mitigating any risk of stranded investment or dislocations in the ongoing provision and expansion of service by these carriers.

Specifically, as illustrated in Attachment A ("A Phase Down of CETC Funding Is Not Necessary To Fund the Mobility Fund"), the Commission is able to provide the proposed one-time $300 million funding for the Mobility Fund, *without any phase-down* of existing support. This is due to the fact that the ongoing phase-down of support received by Sprint and Verizon Wireless (pursuant to merger conditions established by the Commission) will generate approximately $560 million in available support by July 2012, based on ATNI Company calculations using publicly available data. This support relinquished by Sprint and Verizon Wireless, which the Commission has already contemplated using for mobile broadband, is more than sufficient for the proposed Phase I of the Commission's implementation of funding mechanisms for mobility services, and also will help to serve as a bridge to the second phase of the implementation of new funding mechanisms, providing support for ongoing mobile carrier operations in rural areas. As Attachment A demonstrates, utilizing relinquished Sprint and Verizon Wireless support for mobile broadband will actually reduce the universal service contribution factor to the benefit of consumers, will generate a total savings of approximately $1,051,000,000 through December 2013 from the Sprint and Verizon relinquishments, and will also avoid adverse impacts on the investment in, and provision of, mobile services that would be caused by a phase-down of current support. As Attachment A also demonstrates, the Sprint and Verizon Wireless phase down amount between July 1, 2012 and December 31, 2013 will be more than a 20% reduction of the remaining CETCs funding during that same period.

Reverse Auctions for the Phase II Mobility Fund

Representatives for the ATNI Companies emphasized that they favor the use of forward-looking economic cost models as the most effective, efficient, and pro-competitive means of disbursing support under the Commission's new funding mechanisms. Nonetheless, in light of Mr. Peraertz's interest in several auction-related matters, representatives for the ATNI Companies, expressed their opinion regarding issues related to the use of reverse auctions as a funding mechanism. (These issues are also addressed in greater detail in Attachment B, "Mobility Fund Phase II – Auctions as a Distribution Mechanism.")

First, in connection with Mobility Fund auctions, the Commission should identify unserved and underserved areas that will be eligible for support based upon criteria that are pertinent to the delivery of mobile broadband services. For example, the Commission should designate unserved and underserved areas based upon road miles that lack ubiquitous dual access to mobile broadband via EVDO and HSPA technologies, or ubiquitous single access via 4G technology. Reliance upon road miles as a criterion for determining unserved and underserved areas is appropriate because *mobility* is a fundamental characteristic of wireless broadband coverage.

In light of the fact that many people residing in rural areas frequently engage in traveling over relatively long distances as part of their daily work and other activities, it is important for road miles to be treated as discrete unserved or underserved areas for purposes of disbursing Mobility Fund support. This is underscored by the fact that, according to a Cost Quest study filed with the Commission by CTIA–The Wireless Association,® approximately 62 percent of road miles do not have access dual access to mobile broadband via EVDO and HSPA, and approximately 90 percent of road miles do not have access to 4G technology.

In addition, representatives for the ATNI Companies suggested that the Commission should utilize counties as the appropriate geographic areas for conducting reverse auctions and disbursing CAF funding. Because counties are relatively small geographic areas, their use in the reverse auction process would, at least to some degree, increase the number of carriers likely to participate in auctions, which in turn would benefit consumers.

Second, the use of a reverse auction mechanism could be made more palatable through the use of bidding credits, which could help to ameliorate some of the inherent disadvantages that reverse auctions pose for smaller carriers. In this respect, the ATNI Companies suggested that the Commission should consider offering bidding credits of up to 25 percent to carriers participating in an auction, based upon specified criteria. The ATNI Companies recommended that the method of assigning funds (model or auction) and the details of those methods be explored more fully in further proceedings.

Conditions on Recipients of CAF or Mobility Support

Representatives for the ATNI Companies explained that an important element in realizing the full benefits of USF-supported networks, both mobile and fixed, the Commission should consider conditions on recipients of support. Many of the suggested conditions could be the same for both wireline and wireless carriers (*e.g.*, aggressive time-lines for the deployment of network infrastructure), while other conditions could be crafted to apply only to one class of carriers (*e.g.*, requiring wireline carrier auction winners to comply with interconnection obligations in Section 251 of the Communications Act). *See*, Attachment B, "Conditions on Recipients of CAF or Mobility Support."

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If you have any questions or require any additional information, please contact the undersigned.

Sincerely,

Douglas J. Minster

Douglas J. Minster
Vice President, Government and Regulatory Affairs
Atlantic Tele-Network, Inc.

Attachments

cc: Louis Peraertz
Jeffrey Humiston
Rohan Ranaraja

A PHASE DOWN OF CETC FUNDING IS NOT NECESSARY TO FUND THE MOBILITY FUND

1. A phase down of CETC Funds is not necessary to fund a $300M Mobility Fund because the FCC would have collected nearly double that amount by July 2012.

2. A phase down of CETC Funds between July 2012 and December 2013 will hurt investment in rural areas while the FCC works on the mechanics of the Mobility Fund II.

3. The CETC funds that will be phased out between July 2012 and December 2013 will be less than the savings that would be realized due to the VZW/Sprint Phase down during that same period.

4. The savings from the VZW/Sprint phase down will result in an approximately .6% reduction in the contribution factor based on the funding needs and the contribution base for Q4 2011.

5. While consumers clearly prefer mobile service, USF funding for wireless has already been capped, reduced by almost 30% due to the VZW/Sprint phase down and could be reduced by an additional 40% by December of 2013.

USAC Projected Q4 2009 High Cost Disbursement to VZW/Sprint Annualized	$482,538,840	*
USAC Projected Q4 2009 High Cost Disbursement to VZW Divested Areas Annualized	$132,060,096	*
Net Disbursement to VZW/Sprint that is subject to 20% Annual Phase Down	$350,478,744	
2009 phase down (20%) begins in January	$70,095,749	
2010 phase down (40%) begins in January	$140,191,498	
2011 phase down (60%) begins in January	$210,287,246	
2012 Phase down (80%) begins in January	$280,382,995	
2013 Phase down (100%) begins in January	$350,478,744	
Total savings from VZW/Sprint Phase down through December 2013	$1,051,436,232	
Savings due to phase down through July 2012 (2009+2010+2011+2012/2)	$560,765,990	
Proposed one-time Mobility Fund - Phase I to be implemented July 2012	$300,000,000	
Balance after set aside for Mobility Fund - Phase I	$260,765,990	
Potential Funds available for reducing contribution factor in 2012 without a CETC phase down	$260,765,990	
Potential Funds available for reducing contribution factor in 2013 without a CETC phase down	$350,478,744	
Q4 2011 total program collection less VZW/Sprint Phase down (1/4)	$2,104,900,314	**
Q4 2011 Adjusted Quarterly Contribution Base	$14,344,238,000	**
Revised Q4 2011 Contribution Factor	0.1467	
Current Q4 2011 Contribution Factor	0.1528	**
Impact of VZW/Sprint reduction on Q4 2011 Contribution Factor (.1467 - .1528)	-0.0061	

*USAC Fourth Quarter 2009 HC01 Report . This report appears to separate divested areas for the first time. Amounts may be understated.

** FCC PN Proposed Fourth Quarter 2011 Universal Service Contribution Factor September 13, 2011

Mobility Fund Phase II – Auctions as a Distribution Mechanism

- The ATNI Companies favor the use of forward -looking economic cost models as the most effective and efficient means of distributing support. In light of interest in auction-related matters, the ATNI Companies present the following considerations.

- Commission should identify "un-served/under-served" based on the following criteria:
    1. Ubiquitous dual access to Mobile Broadband via EVDO and HSPA Technologies; and/or
    2. Ubiquitous Single Access to Mobile Broadband via 4G technology.
    3. As the Cost Quest study filed by the CTIA points out, dual access via both EVDO and HSPA technologies are essential until 4G LTE because the two technologies are not inter-operable.

- Commission should identify "un-served/under-served areas" in terms of road miles that lack the coverage levels identified above. Because mobility is a fundamental characteristic of wireless coverage, the use of road miles would more accurately capture areas where people live and travel. Given that people in rural areas travel long distances in their day to day lives ensuring broadband availability in this manner is of significant importance.

    a. The Cost Quest study file by the CTIA found that approximately 62% of road miles do not have access to full access dual mobile broadband services via EVDO and HSPA technologies.
    b. The study also found that the estimated minimum investment needed to build infrastructure to facilitate the two technologies is approximately $7.8B.
    c. The Cost Quest study file by the CTIA found that approximately 90% of road miles do not have access to any next generation mobile broadband technology.
    d. The study also found that the estimated minimum investment needed to build infrastructure to facilitate one next generation technology is approximately $10B.

- Geographic areas that meet the above requirements should be eligible for funding from the Universal Service Fund. Should the FCC determine reverse auctions are the appropriate mechanism to distribute funding, the geographic area that is made available for bidding at the auction should be the county.

    a. Smaller geographic areas will – to some extent – help increase the number of carriers that participate in such an auction and, in turn, benefit customers in those areas.
    b. The two biggest barriers to participation will be the limited availability of spectrum and inability of smaller carriers to compete with the economies of scale of larger national carriers. Therefore, the Commission should keep the auction areas small and request bids for qualifying areas at the county level.
    c. The ATNI Companies believe the above considerations militate against consideration of package bidding.

- In the absence of a cost based distribution mechanism, the Commission should also consider the awarding of bidding credits to address some of the inherent disadvantages that small carriers face in an auction based distribution mechanism. The Commission should offer bidding credits of up to 25% to carriers based on the following concepts:
    a. Size of market share of bidding carrier in the state;
    b. Size of market share of bidding carrier nationally;
    c. Share of Urban vs. Rural markets served by bidding carrier in state;
    d. Share of Urban vs. Rural markets served by bidding carrier nationally.

- The criteria identified above are intended to counter the ability of larger carriers to cross - subsidize across markets and game the auction process.

Conditions on Recipients of CAF or Mobility Support

- In order to realize the full benefits of USF funded networks, both mobile and fixed, the Commission should consider imposing conditions on CAF recipients
    a. Conditions on Mobile winners:
        i. Require aggressive build out time lines;
        ii. Require mobile winners to provide voice roaming at competitive rates to other mobile carriers;
        iii. Require mobile winners to provide data roaming at competitive rates to other mobile carriers;
        iv. Require mobile winners to provide collocation to mobile carriers at competitive rates;
        v. Require mobile winners to demonstrate need for ongoing operating expenses after initial build out based on forward looking costs.
        vi. Impose penalties for failure to meet build out deadlines;
    b. Conditions on fixed winners:
        i. Require aggressive build out time lines;
        ii. Require fixed winners to meet all 251 (b) and (c) interconnection obligations with a waiver;
        iii. Require fixed winner to meet all intra or intermodal local number portability obligations ;
        iv. Require mobile winners to demonstrate need for ongoing operating expenses after initial build out based on forward looking costs.
        vii. Impose penalties for failure to meet build out deadlines
        viii. Prohibit Exclusive or Discriminatory contracts or arrangements with third parties.